



SOCIAL SECURITY ADVISOR

Social Security Planning for Retirement

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GUEST EXPERT: Ed Slott, CPA

Ed Slott and Company
Rockville Centre, NY

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The Double Taxation Debate

Study after study confirms that Americans lack basic knowledge about Social Security. The [2024 Annual Retirement Study](#) conducted by Allianz this year, reported that 53% of those surveyed indicated they did not know much about Social Security or how this source fits into their overall retirement income strategy. *Alarming? Yes. Surprising? No.*

Further, many Americans lack a solid foundation of knowledge on eligibility requirements, how benefits are calculated, and other basic facts necessary to make an informed decision. That said, most people do, however, understand that a portion of their earnings, as well as some income from self-employment, is the primary ongoing funding source of the Social Security trust funds. Many are keenly aware that the program faces solvency issues that threaten its future ability to pay promised benefits.

Congress's failure to act after a decade-plus of "Code Red" warnings from the Social Security and Medicare trustees, combined with the hotbed of political issues that have been on the forefront of our presidential election, has only pushed the proverbial can into a poorly lit corner. Most Democrats and Republicans support not cutting benefits, but neither lawmakers nor the current Presidential candidates have laid out specifics on how they would tackle the solvency issue.

One hot-button topic that occupies center stage for Americans, including retirees, is the current state of the economy — *especially inflation and taxes*. Some pre-retirees are unaware that they may need to pay federal income taxes on a portion of their Social Security benefits, which is unsurprising, given the knowledge gap and the growing need for advisors to help navigate this arena.

According to [a 2015 SSA analysis](#), which still holds true, about 56% of Social Security recipients will owe some federal tax on this income between 2015-2050, a percentage expected to grow as cost-of-living adjustments (COLAs) increase benefit checks. At the same time, the income thresholds for determining when Social Security benefits topple into the taxation zone have remained unchanged since enacted in the 1980s and 1990s.

Debating Double Taxation

Is it fair to tax Social Security benefits? Some politicians and many Americans who pay this assessment raise this issue often. After all, those on the unfairness side argue that workers have contributed payroll taxes throughout their careers. The double taxation debate has spurred some lawmakers to introduce bills calling for repealing taxation on Social Security benefits.

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